

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CAMPBELL COUNTY KENTUCKY)	
WATER DISTRICT:)	
TO ISSUE REFUNDING REVENUE BONDS IN)	
THE APPROXIMATE PRINCIPAL AMOUNT OF)	CASE NO. 89-065
\$5,550,000 TO RETIRE ALL FmHA DEBT AND)	
TO DEFEASE ALL OTHER OUTSTANDING LONG)	
TERM DEBT IN AGGREGATE PRINCIPAL)	
AMOUNT OF \$6,653,000)	

O R D E R

On March 20, 1989, Campbell County Kentucky Water District ("Campbell") filed its application for authority to issue refunding revenue bonds in an aggregate principal amount of \$5,550,000. The proceeds of these bonds would be used to retire all Farmers Home Administration ("FmHA") debt and to defease all other outstanding long-term debt.

In its application, Campbell provided the following reasons for undertaking the refunding of its outstanding indebtedness:

1. The refunding will allow the repayment of FmHA debt at a discount. In addition the repayment of the FmHA debt will eliminate a significant amount of Campbell's time devoted to complying with FmHA requirements.

2. Campbell will be able to reduce its current 1.5 times debt service coverage requirement to a 1.25 times debt service

coverage requirement pursuant to its proposed bond ordinance. This will reduce the amount of future rate increases required when additional bonds are issued.

3. The refunding issue will allow Campbell to reduce the debt service reserve requirement from two years to one year and will allow Campbell to utilize a portion of their existing debt service reserve to reduce their outstanding indebtedness. Further, the proposed bond ordinance will also reduce the amount which Campbell is required to borrow to fund future debt service reserves.

Commission Staff met with Campbell representatives in an informal conference on April 19, 1989. Roger Peterman, bond counsel for Campbell, provided additional information on the advantages of the proposed bond issuance and showed that the refunding should achieve a net present value gain over the existing bonds. Campbell is aware that the proposed financing plan will not result in substantial current savings, but should reduce the amount and cost of future borrowings.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that the issuance and sale of the above securities by Campbell will produce a small net present value gain over its existing bonds and, by freeing Campbell from the administrative reporting requirements of the FmHA and by reducing the costs of future borrowing, should produce significant savings in future years. The Commission further finds that the issuance and sale of the above securities by Campbell are

for the lawful objects within the corporate purposes of Campbell's utility operations, are necessary and appropriate for and consistent with the proper performance of its service to the public, and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Campbell be and it hereby is authorized to issue refunding bonds with an aggregate principal amount not to exceed \$5,550,000 as set out in the application.


2. Campbell shall as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution.

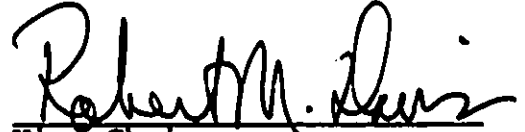
3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes as set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 21st day of April, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director